



TrustIndiana™



## Local Government Investment Pool

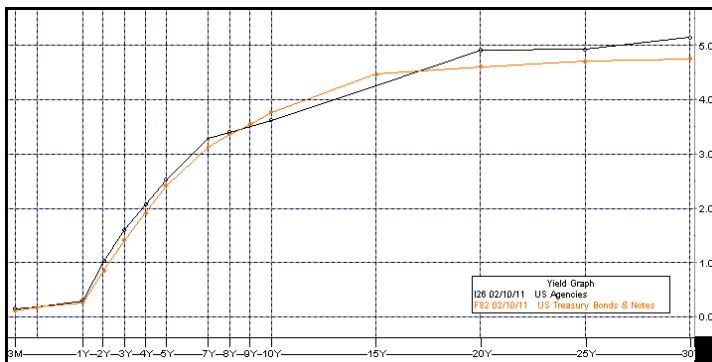
# Monthly Economic Update for TrustIndiana

February 2011

## Initial Jobless Claims Fell to a 31-Month Low of 383,000...

Weekly jobless claim filings in the U.S. fell to 383,000 last week, the lowest level since July 2008. This was better than expected with the market calling for 410,000 in filings. Jobless claims have been on a downward trend since reaching 651,000 for the week of March 27, 2009, and the four-week moving average fell to 415,500 from 431,500 the prior week. This slowdown in firings is a positive sign for the labor market and economy, but the unemployment rate will remain elevated if companies remain reluctant to increase payrolls.

## Yield Curves (Agency vs. Treasury)



Source: Bloomberg

## Our Methodology

The Federal Open Market Committee (FOMC) continues to keep the fed funds target rate at the 0 to 0.25 percent target. In addition, Federal Reserve Chairman Ben Bernanke, during testimony to the House Budget Committee on February 9th, defended the FOMC's plan to buy \$600 billion of Treasuries. He reminded the committee that the Fed's asset purchase program helps to reduce the deficit. Mr. Bernanke also stated that, "notable declines in the unemployment rate in December and January, together with the improvement in indicators of job openings and firms' hiring plans, do provide some grounds for optimism on the employment front." Economic reports have continued to show improvement at the start of 2011. The median estimate of 2011 GDP growth from Bloomberg's survey of over 80 economists has increased to 3.2 percent from 2.8 percent just last month. Thus far, the pace of recovery has limited job growth. Employers are still reluctant to add to their payrolls and it could take years for the job market to normalize. This has controlled inflation and short-term interest rates at the present time. As a result, the market is not anticipating a rise in the fed funds target rate until late 2011 or early 2012. We expect the yield on money-market type investments to remain at very low levels. We will continue to concentrate on high quality investments while adhering to our long standing objectives of **safety, liquidity, and yield.**

## Selected Current Economic Data

DATA	PERIOD	
GDP QoQ	Q4 '10	3.2%
GDP YoY	Q4 '10	2.8%
PPI YoY	Dec '10	4.0%
CPI YoY	Dec '10	1.5%
Jobless Rate	Jan '11	9.0%
Fed Funds Target	Jan 26 '11	0 - 0.25%

Source: Bloomberg

## Treasury Yields

TERM	2/10/11	2/3/11	CHANGE
3-Month	0.12%	0.14%	-0.02%
6-Month	0.16%	0.17%	-0.01%
1-Year	0.27%	0.29%	-0.02%

Source: Bloomberg

## Agency Yields

TERM	2/10/11	2/3/11	CHANGE
3-Month	0.14%	0.18%	-0.04%
6-Month	0.21%	0.22%	-0.01%
1-Year	0.39%	0.40%	-0.01%

Source: Bloomberg

## Commercial Paper Yields (A-1/P-1 Dealers)

TERM	2/10/11	2/3/11	CHANGE
1-Month	0.29%	0.30%	-0.01%
3-Month	0.36%	0.38%	-0.02%
6-Month	0.49%	0.53%	-0.04%
9-Month	0.59%	0.60%	-0.01%

Source: Bloomberg

The opinions expressed are those of the TrustIndiana Administrator and are subject to change without notice.